



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Application from PG&E To Increase Base Electric and Gas Revenues Effective January 1, 1999

MEETING DATE: January 7, 1998

PREPARED BY: City Clerk

RECOMMENDED ACTION: Information only, no action required.

BACKGROUND INFORMATION: The City Clerk's Office has received an application from PG&E to increase base electric and gas revenues effective January 1, 1999 (see copy of application attached). This is information only, no Council action is required.

FUNDING: None

Alice M. Reimche
Alice M. Reimche
City Clerk

APPROVED: _____

H. Dixon Flynn -- City Manager

Clerk

Pacific Gas and Electric Company

Law Department
77 Beale Street
San Francisco, CA
Telecopier 415/973-5520
Mailing Address
P.O. Box 7442
San Francisco, CA 94120

RECEIVED

97 DEC 22 AM 10:41

ALICE H. REIMONE
CITY CLERK
CITY OF LODI

December 17, 1997



TO: THE STATE, COUNTY, AND CITY OFFICIALS

**NOTICE OF FILING
APPLICATION FOR A GAS RATE INCREASE AND AN
ELECTRIC REVENUE INCREASE**

Pacific Gas and Electric Company (PG&E) filed Application No. 97-12-020 on December 12, 1997, with the California Public Utilities Commission (CPUC) to increase PG&E's base electric and gas revenues. If approved by the CPUC after hearings, increases will become effective January 1, 1999.

What we are requesting

We are requesting that, beginning January 1, 1999, we be allowed to increase our current electric and gas base revenues. This includes an increase in electric revenues of \$693 million, or 10%, and an increase in gas revenues of \$501 million, or 25%.

However, under a recent state law, electric rates are frozen until March 31, 2002, or the date when PG&E's approved transition costs are fully recovered, whichever occurs first. Therefore, the electric revenue increases requested in this proceeding may affect rates in the future, but not for several years.

In addition, a recent CPUC decision set gas transmission and storage rates through 2002. Therefore, customers will not experience an increase in gas transmission and storage rates as a result of this request. Of the \$501 million requested increase in gas base revenues, we propose that \$7 million be recovered in the Customer Class Charge for changes in the costs of low income conservation and energy efficiency programs. The remaining \$494 million will increase gas transportation rates for industrial distribution customers, residential customers, and commercial customers only. (See Gas Department Table, below.)

Why we are asking for a revenue change

In this General Rate Case (GRC), we are asking for an increase to our base revenues to recover the costs of owning and operating facilities and to comply with government regulations and orders regarding the provision of electric and gas services to our customers. These costs include all non-fuel operation and maintenance expenses, state and federal taxes, depreciation associated with plant investments including fossil and geothermal decommissioning, and the effects of inflation on PG&E's costs. The requested increase also reflects costs for expenditures required to maintain and enhance system reliability and provide safe, responsive customer service. The requested increase does not cover any costs of operating the Diablo Canyon Nuclear Power Plant, except that it does include costs associated with nuclear decommissioning.

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The effect on residential customers

If the CPUC approves our request, average residential gas bills for customers who use 30 therms of natural gas per month during summer and 100 therms per month during winter would increase by \$5.16 a month in summer, from \$19.16 to \$24.31, and by \$17.15 per month in winter, from \$63.73 to \$80.88. Individual bills will vary from this example, depending on how much energy is used.

For residential electric bills, the overall electric rate is decreasing by 10 percent on January 1, 1998, and then will be frozen at this lower level for several years, in accordance with state law and CPUC orders. PG&E's overall electric rate consists mainly of two types of costs: General Rate Case costs and transition costs, which result from the restructuring of the electric industry to a competitive generation supply market. If the CPUC authorizes our requested increase, then there will be less revenue left over to cover transition costs.

How the rate change will be apportioned

As stated before, rates for electric customers will not change as a result of this request. According to established CPUC policies, the overall bundled rate change to gas distribution will be divided among customer classes as shown below. The different rates for various classes reflect the fact that the costs of serving some classes are higher than others.

Gas Department Proposed Revenue Changes*

<u>Class of Service</u>	<u>Changes In Annual Revenues (\$000s)</u>	<u>Revenue Change Percent</u>
Residential	363,889	27.7%
Small Commercial	116,277	34.1%
Large Commercial	2,718	12.7%
Industrial Distribution	16,572	38.6%
Industrial Transmission	289	0.3
Electric Generation	647	1.0
Cogeneration	299	1.0
Wholesale	8	0.6
Total Change From Authorized 1997 Revenues	500,699	25%

*The allocation of the increased revenue for each customer class will be determined in a future proceeding, known as the Biennial Cost Application Proceeding

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Attrition rate adjustment request for 2000 and 2001

The CPUC allows PG&E to make a general base (non-fuel) rate change request every three years. To help cover expected cost increases beyond 1999, PG&E has requested that electric and gas base revenues be further increased on January 1, 2000, by \$148 million and \$30 million (or 2 and 1 percent), respectively. PG&E also asks that electric and gas base revenues be increased on January 1, 2001, by \$120 million and \$27 million (or 2 and 1 percent), respectively. The amount of the rate change for each customer class will be determined in future proceedings.

Public hearings

Before acting on our Application, the CPUC will hold public participation hearings in the Spring of 1998 to provide customers an opportunity to express their views. The CPUC welcomes the public's participation. When dates, times, and locations of these hearings have been scheduled, we will send notices in future customer bills.

Those people who cannot attend a hearing may submit written comments to the CPUC at the address listed below. All such correspondence to the CPUC should include a reference to PG&E's Application No. 97-12-020.

Formal evidentiary hearings on PG&E's Application will also be held in the Spring of 1998. At these hearings, the CPUC will receive the testimony of PG&E, the CPUC's Office of Ratepayer Advocates, and other interested parties.

Parties at these hearings may offer proposals to the CPUC which differ from those requested by PG&E. In addition, during the proceedings, updated information may be introduced that could change the amount of the revenues requested. After considering all proposals presented during the formal hearing process, the CPUC will issue a decision. Rates adopted by the CPUC may differ from those requested by PG&E, and may result in an increase or decrease in individual rates.

Anyone interested in participating in this proceeding and needing advice or more information, including information on the hearings, or wishing to obtain copies of the Office of Ratepayer Advocates' rate proposals, when they are available, may write to:

The Public Advisor
California Public Utilities Commission
505 Van Ness Avenue, Room 5303
San Francisco, CA 94102

or

Via electronic mail to:
public.advisor@cpuc.ca.gov

All such correspondence should reference PG&E's Application No. 97-12-020. These letters will be sent to the Commissioners and become part of the formal correspondence file for this Application. Please indicate if you would like a written response to your inquiry; otherwise no reply will be sent.

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For further information

If you have additional questions about this filing you may write to:

Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120
Attention: General Rate Case,
Application No. 97-12-020.

A copy of our Application and related exhibits may be reviewed at PG&E's corporate headquarters (77 Beale Street, Room 3120, San Francisco, CA 94105), at any of our division offices, or at the San Francisco office of the CPUC.

The State, counties, and municipal corporations, and any other parties interested in the above-mentioned filing, can obtain a copy of Application No. 97-12-020 and related exhibits upon written request to Lise H. Jordan, Pacific Gas and Electric Company, 77 Beale Street, Mail Code B30A, San Francisco, CA 94105.

This notice is given in accordance with the requirements of the California Public Utilities Commission.

PACIFIC GAS AND ELECTRIC COMPANY

By Lise H. Jordan
LISE H. JORDAN